



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 21, 2004

H.R. 4548 **Intelligence Authorization Act for Fiscal Year 2005**

*As ordered reported by the House Permanent Select Committee on Intelligence
on June 16, 2004*

SUMMARY

H.R. 4548 would authorize appropriations for fiscal year 2005 for intelligence activities of the U.S. government, the Intelligence Community Management Account, and the Central Intelligence Agency Retirement and Disability System (CIARDS).

This estimate addresses only the unclassified portion of the bill. On that limited basis, CBO estimates that implementing certain provisions of the bill would cost \$344 million over the 2005-2009 period, assuming appropriation of the necessary funds. H.R. 4548 would affect direct spending, but CBO cannot estimate those effects because the data needed to prepare such an estimate are classified.

H.R. 4548 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Some private or public educational institutions would benefit from grant programs and appropriations authorized in this bill; any costs incurred by those schools would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the unclassified portions of H.R. 4548 is shown in the following table. CBO cannot obtain the necessary information to estimate the costs for the entire bill because some parts are classified at a level above clearances held by CBO employees. For purposes of this estimate, CBO assumes that the bill will be enacted by October 1, 2004, and that the necessary amounts will be appropriated for fiscal year 2005. Estimated outlays are based on historical spending patterns. The costs of this legislation fall within budget function 050 (national defense).

	By Fiscal Year, in Millions of Dollars				
	2005	2006	2007	2008	2009
CHANGES IN SPENDING SUBJECT TO APPROPRIATION ^a					
Intelligence Community Management Account					
Authorization Level	318	0	0	0	0
Estimated Outlays	193	98	20	5	0
Foreign Language Initiatives					
Estimated Authorization Level	4	4	4	4	4
Estimated Outlays	2	4	4	4	4
Emerging Technologies Panel					
Estimated Authorization Level	2	2	2	2	2
Estimated Outlays	2	2	2	2	2
Total Changes					
Estimated Authorization Level	324	6	6	6	6
Estimated Outlays	197	104	26	11	6

a. In addition to effects on spending subject to appropriation, H.R. 4548 would affect direct spending. However, CBO cannot estimate those effects because the data needed to prepare an estimate are classified.

BASIS OF ESTIMATE

Spending Subject to Appropriation

H.R. 4548 would authorize the appropriation of \$318 million for the Intelligence Community Management Account, which funds the coordination of programs, budget oversight, and management of the intelligence agencies. That account received an appropriation of \$178 million for 2004. The bill would earmark \$30 million for the National Drug Intelligence Center and \$24 million for education initiatives from the funds authorized for the Intelligence Community Management Account. In addition to the costs covered by the specified authorization, the bill contains several new provisions, dealing with foreign language training and an advisory panel, that CBO estimates would require additional appropriations of \$30 million over the 2005-2009 period to implement. CBO estimates that implementing these provisions would cost \$344 million over the 2005-2009 period, assuming appropriation of the specified and estimated amounts.

Foreign Language Initiatives. Section 613 would enhance the authorities of the intelligence community to provide foreign language training to its employees by allowing the Secretary of Defense and Director of Central Intelligence to create a joint Foreign Languages Program. Under this program, the intelligence community would be allowed to enter into cooperative agreements with educational institutions to develop and administer instruction in foreign languages critical to national security activities. The provision also would allow the Director of Central Intelligence to reimburse employees for the cost of foreign language materials and instruction at institutions of higher education. The cost of both programs would depend on how the agencies chose to implement each program and the number of individuals involved. Absent information from the intelligence community on how these programs would be implemented, CBO based its estimate on the cost of programs within the Foreign Service Institute and the Defense Foreign Language Institute that focus on languages critical to the current Global War on Terrorism. CBO estimates the cost of implementing both new programs would be about \$4 million a year over the 2005-2009 period.

Emerging Technologies Panel. Section 501 would establish the National Security Agency Emerging Technologies Panel to advise the director of that agency on technological advances on encryption and other topics. Based on the budgets of other standing committees and advisory panels, CBO estimates the administrative cost to operate this panel would total about \$2 million a year over the 2005-2009 period.

Direct Spending and Revenues

Section 201 would authorize the appropriation of \$239 million for CIARDS to cover retirement costs attributable to military service and various unfunded liabilities. The appropriation to CIARDS is considered mandatory, and the authorization under this bill would be the same as assumed in the CBO baseline. Thus, this estimate does not ascribe any additional cost to that provision.

Section 401 would extend indefinitely the authority of the Central Intelligence Agency (CIA) to offer incentive payments to employees who voluntarily retire or resign. Under current law, this authority would expire on September 30, 2005. This section also would eliminate the requirement that the CIA make a deposit to the Civil Service Retirement and Disability Fund equal to 15 percent of final pay for each employee who accepts an incentive payment. Extending authority to offer incentive payments to these employees could increase outlays from the civil service retirement system in the near term, although those amounts would be offset by reduced retirement payments in later years. CBO cannot provide an estimate of the direct spending effects because the data needed for such an estimate are classified.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

This bill contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would authorize \$8 million in fiscal year 2005 for the National Security Education Program. Under current law, colleges and universities receive one-third of those funds to increase foreign language and regional programs. The bill also would authorize the appropriation of \$22 million in fiscal year 2005 for the National Flagship Language Initiative and encourage the participation of more schools in the program. Finally, the bill would authorize loans and transfers of equipment, instructional material, and cash awards to schools through the Foreign Languages Program. Some private or public schools would benefit from those programs; any costs incurred by those schools would be incurred voluntarily.

PREVIOUS CBO ESTIMATE

On May 21, 2004, CBO transmitted a cost estimate for the unclassified portion of S. 2386, the Intelligence Authorization Act for Fiscal Year 2005, as reported by the Senate Select Committee on Intelligence on May 5, 2004. The differences in the estimated costs reflect differences in the bills. In particular, S. 2386 would authorize \$343 million for the Intelligence Community Management Account, while H.R. 4548 would authorize \$318 million for that account. H.R. 4548 also would authorize new programs for foreign language training and an advisory panel, which CBO estimates would require additional appropriations of about \$30 million over the 2005-2009 period.

ESTIMATE PREPARED BY:

Federal Costs: Matthew Schmit
Impact on State, Local, and Tribal Governments: Melissa Merrell
Impact on the Private Sector: David Arthur

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis